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ABSTRACT

The National Council on Employment Policy found that there are small but substantial groups of older persons who are experiencing labor market problems--the working poor, the displaced unemployed, persons with health limitations, and groups of women who have been out of the labor force for large blocks of time. The problems of this generation, now in their 50s and 60s, have been given little attention, being overshadowed by the "baby-boomers" who follow them. There are several choices open to society on how to deal with the labor market problems of these workers: ignore the problem, increase growth in the economy, improve existing federal employment and training programs, or create a new employment program. The Council endorses the creation of a new employment program that it believes will improve the incomes and lives of these men and women while providing lessons that will be useful as the baby-boom generation reaches age 50 and over after the year 2000. The specific policies that the Council recommends are the following: (1) successful programs for older workers under the Job Training Partnership Act should be catalogued and disseminated to service delivery areas, and efforts should be made to increase the attractiveness of retraining programs to older workers; (2) the Senior Community Service Employment Program should be expanded to provide part-time work opportunities to disadvantaged older persons who need to supplement their incomes; and (3) a new "Older Americans Employment Program" should be established, perhaps on a demonstration basis, to provide full-time, year-round employment at the minimum wage to persons between the ages of 50 and 62. (KC)

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A Policy Statement of the National Council on Employment Policy

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National Council on Employment Policy

Policy Statement

on the

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Much attention has been paid to the effect of the baby-boom on the aging of the labor force and population. However, the leading edge of the baby-boom will not reach age 50 for almost ten more years and the really substantial increases in the population 50 and over do not begin until after the turn of the century (Table 1). In the meantime there is a generation of workers who were born before the end of World War II who are reaching their fifties and sixties. As a result of the Depression and World War II, this cohort was smaller than the ones that preceded and followed it, and it enjoyed substantial labor market success. Most of these older Americans face few problems in the work force. They are at or near the highest earnings level of their lifetimes while their living costs may be declining due to reduced family responsibilities and many years of tenure on their jobs give them a measure of job security. Their labor market concerns are when to retire and, with the increases in Social Security and private pensions in recent years, how comfortably their post-retirement incomes will support them.

While this may be true for the majority of older persons, a minority face substantial labor market problems. Four groups with problems may be identified: persons with few skills earning a low wage, dislocated workers who become unemployed and possess only obsolete skills, persons whose health limits their employment, and women with interrupted or limited labor force attachments. Obviously, these problems are not limited to persons over 50 years of age, but they may be more crucial for this group. Also the categories are not mutually exclusive and in many cases a person may fall in

more than one.

The Nature of the Problem

The Older Working Poor.

Over half a million workers at least 45 years old were employed full-time, year-round and were still below the poverty level in 1984, accounting for one-fourth of full-time working poor. Included among these workers are many who have a history of low earnings because of low levels of education and skills, or minority status. They can be expected to have continuing income problems: they have low earning capacity if they continue to work, will be eligible for only minimum Social Security benefits and are less likely to be entitled to private pensions when they retire.

The Older Unemployed.

The probability of becoming unemployed is low for older workers--their average unemployment rate in 1985 was 4.1 percent as compared with the national average of 7.2 percent; however, once unemployed their mean length of unemployment was nearly 40 percent higher than the national average. In addition, many become discouraged, give up hope of finding a job and leave the labor force entirely. Thus, they are not included in the unemployment count. There were 212,000 discouraged workers age 60 or over in 1985.

Recent shifts in employment away from manufacturing have been felt particularly by the older workers who are displaced. The Bureau of Labor Statistics (BLS) found that 18 percent of workers displaced between 1979 and 1983 were at least 55 years old, substantially higher than the 13 percent of persons employed who are in this age group. Further, whereas 65 percent of workers under 55 were reemployed by January 1984, only 37 percent of the older displaced workers had jobs.

Moreover, the period without work was 29 percent longer for the older workers who were displaced.

Unlike the working poor, many of the displaced men and women had held well-paying jobs entitling them to higher Social Security benefits and they are eligible for private pensions if they have reached retirement age. Some also receive large severance payments. The BLS found that more than one-fourth of the displaced workers age 55-64 who had been displaced between 1981 and 1985 had left the labor force in January 1986.

Problems arise, however, for those who are not yet of retirement age. Many of their skills are now obsolete due to changing technology and changes in industrial demand. Also, in common with the working poor, these older unemployed workers often have below average educational attainment. They also have built attachments to their locations and have low mobility. Thus, in the period until they retire, they face limited employment options.

The Health Limited Older Person.

While poor health is far from inevitable, older persons are more likely to have health problems which limit the amount or kind of work that they can do. The Current Population Survey reports that in 1982 approximately 12 percent of 45 to 54 year olds and 24 percent of 55-64 year olds suffer from some kind of work-limiting health problem. Moreover, there is a perception held by the public that older persons are not as productive (although the available evidence indicates that in most jobs this is not true). Those individuals with more serious health limitations often find that receipt of Social Security disability payments is an alternative to employment. For others, not eligible for disability payments, early retirement or reduced hours of employment at lower level jobs are often the result. Labor force participation rates for health-limited older persons were much lower than for those without health

problems (Table 2). The incidence of poverty for persons 45-64 who were not working in 1984 because of illness or disability was 37 percent.

The Special Problems of Older Women.

Women who are over 45 are different from succeeding cohorts. Born prior to World War II, they predated the women's movement and increases in women's labor force participation. Most dropped out of the labor force to bear their children and many reentered after extended periods of labor market inactivity. Even after reentering the labor force, the attachment of many was not continuous. When growing up they faced overt sex discrimination in training institutions and the labor market; they did not prepare for long-term or nontraditional careers, since these were not the norm. As a result many lack skills and experience valued by employers and they tend to be in lower paying jobs, much more so than their younger sisters. Women over the age of 54 have average incomes 41 percent of those of men as compared with all women who earn about 60 percent of all men's earnings. Furthermore, 50 percent of women at least 55 are single primarily because of widowhood or divorce. Due to their low wages when employed, the types of employers they work for, and their substantial periods outside the labor force, these women have a lower probability of receiving a private pension, face substantially lower retirement benefits from Social Security and private pensions, and have poorer health insurance coverage than do most men. Finally, women have traditionally been the family caretakers, which limits the time they can devote to employment and their ability to relocate.

There is a widespread misconception that Social Security benefits have solved the problems of the aged, and as a result the labor market problems faced by older workers are ignored. It is the Council's position that the problems of workers age 50 and older who are unemployed, underemployed or forced

out of the labor force, deserve the attention of policy-makers.

Alternative Solutions

There are several choices open to society on how to deal with the labor market problems of workers age 50 and over.

Ignore the Problem.

One answer is to ignore the problem, since it will disappear (at least the present generation of older workers will). The argument for this approach is that the Nation already has an excess of supply of human resources as demonstrated by high unemployment; since most workers look forward to retirement the easiest thing to do is to help the older worker with problems to leave the labor force. Social Security is now almost universal so that most workers with problems may begin to receive these benefits when they reach age 62. This appears to be the route presently taken by many older workers particularly low wage earners; Social Security benefits are taken at age 62 by over 50 percent of new beneficiaries and 80 percent of workers take them before age 65. However, for many older workers who are not disabled, the retirement option may not be available, or, if available, may not be attractive. Unemployed workers 50 to 61 years old are too young to qualify for retirement benefits. The recently widowed 50 year old housewife and the laid off 50 year old worker face 12 years before they can collect benefits. In the meantime they may lack skills which will enable them to be hired at wages much above the minimum and these low earnings will reduce their Social Security benefits. Even workers who have reached retirement age may find that Social Security benefits may not be sufficient to keep them out of poverty,

particularly when the penalty for early retirement is applied. For this group, we feel that to ignore their problems is a disservice to them and represents a loss of potential productive resources to society.

Increase Growth in the Economy.

The number of individuals reaching age 20 each year between now and the end of the century will range between 3.3 and 3.8 million. This is much lower than the 4.2 to 4.5 million reaching that age in the years 1974 to 1984. Therefore, the number of jobs which needs to be created to accommodate these new entrants to the labor force will be reduced substantially. It has been argued that employers, particularly those in the service sector, will increasingly turn to older, displaced workers as the number of young workers declines. While there is contradictory evidence on the ability to substitute older for younger workers, it is clear that if the demand for older workers is to expand, the rate of growth of the economy must be above that which we have experienced over the last several years. During the 1970s average employment levels increased by over 2 million per year, but in the 1980s average annual growth in employment has been only 1.4 million. Unemployment has remained at about 7 percent recently, indicating that we are not creating jobs fast enough. The Council believes that one way to alleviate the labor market problems of all workers, including older workers, is to focus public policy on creating tight labor markets.

Improve Existing Federal Employment and Training Programs.

Most older workers do not participate in retraining programs. Often both potential participants and program operators feel that older persons with labor market problems can not successfully reenter a classroom setting due to their

lower educational levels and the long period since they were last in school. Further, because they have fewer years to use the skills they may learn, some administrators and older workers feel that an investment in training is not warranted. Another problem among displaced workers is that many hope to be recalled to jobs which use the skills they possess or in which they have seniority; they are reluctant to enter a training program which may interfere with their finding employment in their former occupations or which offer considerably lower paying and perhaps less secure jobs. As a result of these three factors, government retraining programs have included only a small percentage of older workers. In the year ending June 1986, only 4 percent of the terminees of the Job Training Partnership Act (JTPA)--the federal programs which provided training to unemployed and disadvantaged persons--were 55 or older.

Obviously some retraining programs can and have been designed to overcome these difficulties and further attempts should be made to do so. One of the features of these programs should be adequate counselling of displaced workers as to their real job prospects without retraining. The JTPA mandated spending $57 million during the last year for training older workers. The U.S. Department of Labor should make an effort to catalog and disseminate information about successful retraining efforts for older workers and encourage JTPA Service Delivery Areas to adopt these types of programs. Retraining, however, is a realistic option for only a fraction of older workers with labor market problems.

An alternative is direct employment. The Council has repeatedly recommended job creation programs for unemployed and disadvantaged workers. For older workers there is ample experience that this is a beneficial policy. Since the 1960s with Operation Mainstream, older workers have been employed on public projects. The payments to participants was not much in excess of the government outlays on

unemployment insurance, public assistance and Social Security that they would have received. Further, the projects provided needed services to the communities and satisfaction and self-respect to the participants.

The major existing employment program directly targeted on the older disadvantaged population, is the Senior Community Service Employment Program (SCSEP). Established under the Older Americans Act of 1965, and administered by the Department of Labor, it provides employment at the minimum wage in community service positions to persons age 55 and over with family income less than 1.25 times the poverty line. In Fiscal Year 1985, the program provided 62,000 slots and served 98,000 participants, but the National Commission for Employment Policy estimated only seven of each thousand persons eligible for the program participated in 1980. Further, it should be noted that these persons worked only part-time, so that although they could supplement retirement benefits, the wages were not sufficient by themselves to lift workers out of poverty. We believe the SCSEP should be expanded to meet the needs of all older persons who seek such employment, however, it too is not the answer for many with labor market problems.

A New Employment Program.

The Council believes that a new "Older Americans Employment Program" is necessary for that proportion of the older workers who are not disabled, are yet too young to draw retirement benefits, and for whom part-time employment under SCSEP is not sufficient. The program would be limited to persons ages 50 to 62 and pay only the minimum wage. Yet, it would be sufficient to keep married couples and individuals above the poverty line, assuming full-time, full-year employment. It would also allow these individuals to continue to build the "average indexed monthly earnings" on which their Social Security benefits will be based.

TABLE 1

PROJECTED POPULATION OF THE UNITED STATES BY AGE
1985 - 2025 (in millions)

AGE	YEAR								
	1985	1990	1995	2000	2005	2010	2015	2020	2025
15-19	18.4	17.0	17.0	18.9	19.7	19.1	18.1	18.0	18.5
20-24	21.3	18.6	17.1	17.1	19.1	19.9	19.3	18.3	18.1
25-50	85.4	95.4	100.2	99.9	97.6	95.3	94.0	94.7	95.9
50-54	10.8	11.4	13.7	17.4	19.4	21.4	21.2	18.6	17.3
55-59	11.2	10.4	11.0	13.3	16.8	18.8	20.8	20.5	18.1
60-64	10.9	10.6	9.9	10.5	12.6	16.0	17.9	19.8	18.5
65 plus	28.6	31.7	33.9	34.9	36.2	39.2	44.8	51.4	58.8

Source: U.S. Bureau of the Census

TABLE 2

LABOR FORCE PARTICIPATION RATES
BY AGE, HEALTH, AND SEX

	Age 45-54		Age 55-64	
	Men	Women	Men	Women
Health Limited	44	22	28	12
No Health Limitation	97	67	86	50

The major possible shortcoming of such a program would be if it attracted people away from private sector opportunities. This would be unlikely for most older workers whose employment is steady and pays much more than the minimum wage or for those workers receiving disability benefits which would be lost if they entered employment. There would be a group, however, composed of those individuals who have only sporadic private sector employment opportunities and/or who work in jobs paying only the minimum wage--the working poor and the displaced worker or homemaker who have very limited job prospects. This group is likely to be small, and, even if they were attracted to the government jobs, there are many younger workers who would be available to fill the private sector openings they might leave behind. The largest group who would be attracted to these new jobs would be the discouraged workers, who presently are not in the labor force and are receiving income maintenance payments.

The direct cost of such a program would be low--in the neighborhood of $8,000 per slot, most of which would be for wages. In actuality the cost to the government budget would be considerably less because of the offsetting reduction in transfer payments to the individuals and the increase in taxes which would be received from them. In this period of budget restraint, the program might begin as a demonstration to determine the potential number of participants and the actual cost to the government of operating it. To limit any tendency for the program to replace private sector employment, it could involve a required period of job search and be limited to areas of high unemployment.

Summary

The Council finds that there are small but substantial groups of older persons who are experiencing labor market

problems--the working poor, the displaced unemployed, persons with health limitations, and certain groups of women. The problems of this generation of older workers have been given little attention, being overshadowed by the "baby-boomers" who follow them. The Council believes, however, that they should not be ignored. In addition to improving the incomes and lives of these men and women, the lessons that will be learned on how to ameliorate their problems properly will stand the Nation in good stead when the substantially larger next cohort reaches their fifties after the year 2000. The specific policies we recommend are:

1. Successful programs for older workers under JTPA should be cataloged and disseminated to Service Delivery Areas. Efforts should be made to increase the attractiveness of retraining programs to these individuals.
2. The Senior Community Service Employment Program should be expanded to provide part-time work opportunities to disadvantaged older persons who need to supplement their incomes.
3. Among the groups who would benefit from a public service employment program are older persons with labor market problems. We recommend a new "Older Americans Employment Program," perhaps on a demonstration basis, to provide full-time, year-round employment at the minimum wage to persons between the ages of 50 and 62.